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VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk / Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: Application of Duke Energy Carolinas, LLC for Approval of Demand-Side Management and Energy Efficiency Rider 13, Decreasing Residential Rates and Increasing Non-Residential Rates

Docket No. 2021-76-E

REPLY COMMENTS OF DUKE ENERGY CAROLINAS, LLC

Dear Ms. Boyd:

Duke Energy Carolinas, LLC (the "Company") files this letter in response to the report filed by the South Carolina Office of Regulatory Staff ("ORS") on the Company's Demand-Side Management ("DSM") and Energy Efficiency Rider ("EE") Rider 13 Application ("ORS Rider Report") and the comments filed by Southern Alliance for Clean Energy and South Carolina Coastal Conservation League (the "Environmental Parties") in this docket.

In its report filed in this proceeding, ORS recommends the approval of the Company's requested Rider 12 rates as proposed in its Application, finding that "the updated DSM/EE Rate Riders were developed in accordance with the terms and conditions set forth by the Commission and are based on reasonable estimates of participation in the Company's DSM/EE programs." ORS Report at 12-13. ORS also recommends that the non-residential EnergyWise for Business ("EWfB") and non-residential Information Technology Energy Efficient ("ITEE") programs be monitored and that that the Company incorporate changes to improve their cost-effectiveness. The Company intends to adhere to the ORS recommendations and will keep the Collaborative informed of any program enhancements designed to improve the two programs' cost-effectiveness. The Company is currently incorporating recommendations for improvement of the EWfB program based upon information from the evaluation, measurement and verification process, and is renegotiating pricing with the vendor to improve cost-effectiveness. As for the ITEE program, ITEE is a collection of measures within the Smart Saver Nonresidential Prescriptive program, which is itself a cost-effective program. Because of its impact

on overall cost-effectiveness, the Company is evaluating whether to retain the ITEE set of measures.

In their comments, the Environmental Parties go far beyond the scope of this EE/DSM cost recovery rider proceeding, attacking the Market Potential Study used in the Integrated Resource Plan (“IRP”) proceedings, critiquing the EE Collaborative process, and requesting the development of a plan to achieve 0.04% more savings than are currently projected for 2022, all of which have very little if anything to do with the cost recovery rider proposed for approval by the Company in this docket.

First, the Environmental Parties’ critiques relevant to matters at issue in the IRP proceedings, Docket Nos. 2019-224-E and 2019-225-E, are more appropriately raised and responded to in those dockets. See S.C. Code Ann. § 58-3-260(B). Because these matters were fulsomely addressed at the merits hearing in the IRP proceedings and will be addressed in the Company’s proposed order to be filed in those dockets, the Company declines to provide reply comments on these issues in this docket.

Second, the Company takes very seriously the role of the Collaborative as an advisory body and reasserts its commitment to offer to customers any EE program or measure that comports with the requirements of the Mechanism approved by the Commission in Order No. 2021-32, namely that the measures are:

- a) commercially available and sufficiently mature,
- b) applicable to the DEC service area demographics and climate,
- c) feasible for a utility DSM/EE Program, and
- d) cost-effective.¹

While the Environmental Parties assert that “there has been little visible action” from the Company in implementing program suggestions from the Collaborative, and imply that the Company is ignoring or not acting on suggestions from Collaborative members, this is simply untrue. As has been reported to the Collaborative, the Low-Income Housing Tax Credit proposal was, in fact, incorporated into the Companies Smart \$aver Custom Design Assistance Program, and favorable results have already been shared with the Collaborative several times. The measures included as part of the Manufactured Homes Retrofit Program are already included as part of the Smart \$aver offerings, and the Company is researching whether a manufactured home-specific marketing program could be effective for customers. The other proposals face significant challenges. Under the Environmental Parties’ proposed Manufactured Home New and Replacement Program, the Company would incentivize the purchase and construction of new homes for its customers, a

¹ Order No. 2021-32 at Order Exhibit No. 1, page 32, Docket No. 2013-298-E (Jan. 15, 2021).



proposal that would carry significant costs for ratepayers. The heat pump water heater proposals face challenges due to customers' inability or unwillingness to pay for more expensive water heaters and lack of participation interest from builders, property owners, and developers.

Hastily implemented measures are more likely to fail and actually lose customers money as compared to those which have been vetted, developed, and tailored to the Company's service territory and customers, and that process takes time. The Company will continue, in good faith, to pursue energy efficiency proposals that will be cost-effective for its customers and feasible from a program perspective, and its track record of program performance is proof of its dedication to implementing measures that work. While the Environmental Parties also propose that the Company work with the Collaborative to set its budget for low-income programs, this would go beyond the Collaborative's role as an advisory body, as specified in § D of the Commission-approved Mechanism. Order No. 2021-32 at Order Exhibit No. 1, page 34, Docket No. 2013-298-E (Jan. 15, 2021) ("The Carolinas EE Collaborative is an advisory group made up of interested stakeholders . . ."). The Environmental Parties also suggest that the Company should be directed to "pursue increased energy savings" for low-income programs. In general, no utility can simply fabricate increased energy efficiency savings. The Company notes, however, that the COVID-19 pandemic—as recognized in the Environmental Parties' comments—significantly impacted the Company's ability to implement and deliver door-to-door measures in 2020. The Company expects these programs to rebound beginning in 2021 and to result in greater savings for low-income customers.

The Environmental Parties' proposal that the Company prepare a supplemental filing to develop a plan for achieving 0.04% (four hundredths of a percent) savings above that which is projected for 2022 is unnecessary and would be an imprudent use of customers' funds. The 2022 projection is used for forecasting and rate-making purposes, the actual savings for 2022 could come in above or below that level, and 0.04% is well within a reasonable range to potentially be met simply through natural program operation. The Companies also question the Environmental Parties' recommendation that the Company produce a plan on how to exceed 1% annual savings over the next six years, and questions how the six-year timeframe was arrived at. The Company already consistently engages the Collaborative to develop new program and measure ideas, and is committed, in good faith, to implementing cost-effective EE programs in a way that maximizes savings for customers.

The work of the Company and the members of the Collaborative is best focused on effective program design and implementation—i.e., objects that actually produce customer savings—rather than fixating on arbitrary savings goals. If the Company over-projects its savings based on goals that are not linked to actual savings, such will artificially increase rates, resulting in an overcollection from customers. This is not an outcome the Company supports. Instead, the Company tirelessly works



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towards improving and implementing programs that produce customer savings. The Company hosts the Collaborative six times per year, meeting for four to five hours each session. Between Collaborative meetings, the Company investigates new program ideas, and hosts conference calls and working groups to evaluate the feasibility of proposals and program modifications. All of this work with stakeholders and the resulting savings has been consistently recognized by SACE itself in its annual Southeast Energy Efficiency reports. The Company appreciates the Environmental Parties' interest in this EE cost recovery proceeding, and looks forward to continuing to work with them and other stakeholders within the Collaborative in the work of program development and implementation.

Kind regards,

Sam Wellborn

C: Parties of Record (via email)
Heather Shirley Smith, Deputy General Counsel (via email)
Rebecca J. Dulin, Associate General Counsel (via email)